

Message Text

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PAGE 01 MADRID 05771 140623Z

11

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01 SWF-02

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FM AMEMBASSY MADRID

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E.O. 11652: GDS

TAGS: ETRD, SP

SUBJ: COUNTERVAILING DUTIES ON BOTTLED OLIVES AND NON-RUBBER
FOOTWEAR

REF: STATE 197498

1. I CONVEYED TO VICE PRESIDENT AND MINISTER OF FINANCE BARRERA THE TREASURY DEPARTMENT'S DETERMINATION ASSESSING DUTIES ON NON-RUBBER FOOTWEAR AND OLIVES AND EXPRESSED TO HIM THE TALKING POINTS IN REFTEL. MIN BARRERA COMMENTED THAT IN ECONOMIC TERMS ADDITIONAL DUTIES WERE QUITE SMALL BUT THAT THE U.S. ACTION HAD POLITICAL CONSEQUENCES IN SPAIN. HE MADE SARCASTIC COMMENT ON THE REFINEMENT IN REACHING THE FIGURE OF 2.9 PERCENT FOR BOTTLED OLIVES.

2. ECON COUNSELOR MADE SIMILAR APPROACH TO BASSOLS, DIRECTOR GENERAL FOR INTERNATIONAL ECONOMIC RELATIONS IN THE MINISTRY OF FOREIGN AFFAIRS, AND PASSED TO HIM THE COMMENTS IN REFTEL. HE TOO STRESSED THE UNFORTUNATE
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PAGE 02 MADRID 05771 140623Z

POLITICAL EFFECTS THE U.S. ACTION WOULD HAVE WITHOUT

FURTHER COMMENT.

3. NEITHER MIN BARRERA NOR BASSOLS REFERRED TO ISSUE OF A JOINT ECONOMIC COMMITTEE MEETING TO DISCUSS COUNTERVAILING DUTIES OR OTHER ECONOMIC PROBLEMS IN OUR RELATIONS.

4. IN A SUBSEQUENT CONVERSATION BY THE ECON COUNSELOR WITH PERINAT, DIRECTOR GENERAL FOR NORTH AMERICAN AFFAIRS, MFA, THE U.S. ACTION WAS DESCRIBED BY PERINAT AS A MISTAKE WHICH WOULD HAVE MUCH MORE SERIOUS PSYCHOLOGICAL AND POLITICAL EFFECTS THAN ECONOMIC CONSEQUENCES IN OUR RELATIONS.

5. THE FIRST SPECIFIC MEASURE BY THE GOS IN REACTION TO THE COUNTERVAILING DUTY DETERMINATION HAS BEEN TO CANCEL INDEFINITELY THE RESUMPTION OF NEGOTIATIONS ON THE DOUBLE TAX CONVENTION (EMBTel 5726). THE MFA TODAY CONFIRMS THAT THE CANCELLATION OF THE VISIT TO WASHINGTON OF A DELEGATION TO NEGOTIATE WITH TREASURY ON THIS SUBJECT WAS DUE TO THE U.S. APPLICATION OF ADDITIONAL DUTIES TO OLIVES AND FOOTWEAR.

6. IN ADDITION, THE SPANISH PRESS HAS DEVOTED CONTINUOUS, HEAVY COVERAGE TO COUNTERVAILING DUTY ISSUE, PROMINENTLY DISPLAYING STORIES AND EDITORIALS CAPPED BY BOLD HEADLINES READING, "UNANIMOUS NEGATIVE REACTION AGAINST NORTH AMERICAN SURTAX ON SPANISH SHOES AND OLIVE EXPORTS," "SPANISH ADMINISTRATION DEMONSTRATED NO SUBSIDY EXISTS," "FOREIGN MINISTER PRESENTS NOTE OF PROTEST."

7. HIGHLY CHARGED EDITORIAL COMMENTS STRESSED (1) U.S. PREACHES LIBERAL TRADE BUT PRACTICES IT ONLY WHEN IT HAS COMPARATIVE ADVANTAGE; (2) ANOTHER EXAMPLE OF POWERFUL EXPLOITING THE WEAK; (3) DANGEROUS DISCRIMINATION IN FACE OF SPAIN'S TRADITIONAL TRADE DEFICIT, ESPECIALLY WITH U.S.; (4) AFFRONT TO GATT REGULATIONS; (5) U.S. ATTEMPT EXPORT ITS PROBLEMS AT EXPENSE ECONOMICS MUCH MORE PRECARIOUS THAN OWN; (6) "IS THIS THE ATTITUDE OF A FRIEND?" MOST ARTICLES ALSO CARRIED DETAILED STATISTICAL LIMITED OFFICIAL USE

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PAGE 03 MADRID 05771 140623Z

DATA SUPPORTING SPANISH, REFUTING U.S. POSITION.

8. IT IS LIKELY THAT THIS ISSUE WILL REMAIN ALIVE FOR SOME TIME AND WILL CREATE A CERTAIN DEGREE OF ANTI-AMERICAN FEELING, ESPECIALLY IN THE AREAS OF SPAIN MOST DIRECTLY AFFECTED SUCH AS THE PROVINCE OF ALICANTE AND IN MALLORCA IN THE BALEARICS.
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